FAQ about Benefit Sharing:

Note 1: What does Benefit Sharing mean in REDD plus context?

Forest dependent people, government institutions, private sector, non-governmental organizations, research institutions, etc., will have to be actively involved in, inter alia, translating the proposed REDD+ activities into practice. A country's benefit sharing mechanism will determine who is involved in REDD+ initiatives, whether and when they are compensated and in what form of incentives are available.

There are several dimensions to "benefit sharing". Two important dimensions include, firstly, the benefit and the associated beneficiaries. Associated with benefits are responsibilities or obligations, though when social or public benefits are involved these can be a windfall gain for some households. A second important dimension is the sharing of the benefits – that is the mechanism used for recording the benefit and associated obligations as well as the mechanism for distribution the benefits to the beneficiaries.

Benefit sharing covers how REDD+ revenues are to be assigned and shared among all stakeholders involved in the associated initiatives. Benefit sharing can also include intentional transfer of monetary and non-monetary assistance to enable parties in the agreement to implement the activities that would generate the benefits. Proposed arrangements for benefit sharing can range from mechanisms for revenue sharing to mechanisms for transferring monetary and non-monetary assistance among partners.

Benefits are intentional transfers of financial payments and goods and services to designated beneficiaries. In the context of REDD+, benefits can stem from forest rent or incentives. Forest rent includes the distribution of money among stakeholders, from revenue or "rent" derived from the management of a forest resource (for example payments for emission reductions). Incentives are not directly linked to forest rent, but are monetary or nonmonetary benefits transferred to a stakeholder to enable or motivate a particular behavior. They can encompass a broad range of monetary and non-monetary rewards. The benefits can be provided in return for an action, for forfeiting use of a resource, or, in the case of rents, simply as rent-sharing. The benefits may be viewed as incentives, opportunities, additional payments, or compensation.

Whether the benefits are from rents or incentives associated with investments will influence who benefits, what the benefits are, and the instrument for transferring these.

1.1. Why is benefit sharing important for REDD+?

Benefit sharing in REDD+ initiatives is necessary to convert the international donor support and any market-based financing into incentives for positive changes at the national and subnational level. IUCN 2009 report "REDD-plus and Benefit Sharing" highlights two reasons why benefit sharing is important for REDD+:

- Incentives must be created that reward individuals, communities, organizations, government agencies, and business for actions that change land use and reduce emissions. These incentives must be at least equal to or in excess of the opportunity cost of legal REDD+

activities[1] to make it economically rational for these stakeholders to participate in the benefit sharing mechanism.

- Equitable benefit sharing mechanisms can build legitimacy for REDD+ programs at an international and national level by ensuring that both the people directly affected by REDD+ actions and the wider public are treated fairly and equitably.

1.2. What does sharing of benefits entail?

Sharing of benefits can include:

- any general payments, services, or other things of value[2] provided unilaterally because the law requires it. These might include a share of taxes, royalties, or fees received by the government or a share of revenues generated by the outside partner.

- payments, services, or other things of value offered unilaterally or on what might appear to be better-than-market terms, but generating value to the outside partner in the form of goodwill (of the local partner, of government, of potential customers, etc.).

- payments, services, or other things of value offered unilaterally or on better-than-market terms to achieve a non-commercial objective of the outside partner, such as empowerment of minorities, reduction of poverty, or conservation of biodiversity

- net profits. In such cases, the costs borne by members in the partnership are covered and <u>in addition</u> they receive a share of the net profits

REDD+ initiatives will involve a broad set of climate mitigation activities in the forest sector. Depending on the detailed implementation of REDD+ at a national and international level, forest nations may be able to secure funding for reducing emissions from forest degradation and deforestation from a range of sources, including donors and multilateral funds (a funded approach) and the voluntary and compliance carbon markets (a carbon markets-based approach):

Benefit sharing in a funded approach to REDD+ may include monetary or nonmonetary compensation for the opportunity costs of implementing REDD+ activities; support for SFM, afforestation, or reforestation; improvements in forest governance; institutional capacity-building; and forest law enforcement.

Benefit sharing in a carbon market-based approach is likely to require distributing net profits among REDD+ stakeholders involved in/affected by achieving REDD+ objectives. The carbon payment

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[1] Adapted and expanded from original source.

[2] "Other things of value" might include goods; training; physical infrastructure such as water supplies, roads, buildings, communication lines, or improvements that open land to new uses; social services including education, health services, or community organization; sharing, conveyance, or recognition of authority or legal rights; credit; access to markets; or anything else the local partner finds valuable.

may be used to cover opportunity costs, provide financial and technical support for productive activities and enable institutional development.

To effectively share benefits, the stakeholders will need to:

- Identify reasons for sharing benefits – what are the obligations of the beneficiaries
- Identify the beneficiaries
- Identify suitable benefits
- Select the optimal method for transferring benefits